



STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
869 PUNCHBOWL STREET
HONOLULU, HAWAII 96813-5097

RODNEY K. HARAGA
DIRECTOR

Deputy Directors
BRUCE Y. MATSUI
BARRY FUKUNAGA
BRENNON T. MORIOKA
BRIAN H. SEKIGUCHI

IN REPLY REFER TO:

Board of Land and
Natural Resources
State of Hawaii
Honolulu, Hawaii

ISSUANCE OF A RETAIL CONCESSION
KAHULUI AIRPORT

MAUI

The Department of Transportation (DOT) proposes to offer a Retail Concession at the Kahului Airport on the Island of Maui. The following contains a description and summary of some of the major terms and conditions that the DOT anticipates incorporating into the Concession Agreement (Agreement):

PURPOSE:

To award the Agreement to a qualified Concessionaire submitting the highest bid to exclusively operate the Concession at Kahului Airport.

LEGAL REFERENCE:

Chapter 102, Hawaii Revised Statutes, as amended

LOCATION:

Kahului Airport (OGG), Terminal Building Complex

PREMISES:

At commencement of the Agreement:

1. Retail (Sales) Space
 - a. Ticket Lobby Building, Building 321, Space No. 108A, containing approximately 1,142 square feet as shown on the attached Exhibit B dated October 2005

- b. Central Building, Building 330
 - 1. Space No. 201, containing approximately 800 square feet as shown on the attached Exhibit C dated October 2005
 - 2. Space No. 202, containing approximately 841 square feet as shown on the attached Exhibit C dated October 2005
 - 3. Space No. 204, containing approximately 800 square feet as shown on the attached Exhibit C dated October 2005
 - 4. Space No. 205, containing approximately 636 square feet as shown on the attached Exhibit C dated October 2005
 - 5. Space No. 206, containing approximately 562 square feet as shown on the attached Exhibit C dated October 2005
 - 6. Space No. 207B, containing approximately 529 square feet as shown on the attached Exhibit C dated October 2005
- 2. Storage (Non-Sales) Space
 - a. Main Terminal Building, Building 340
 - 1. Space No. 101, containing approximately 942 square feet as shown on the attached Exhibit D dated October 2005
 - 2. Space No. 106A, containing approximately 210 square feet as shown on the attached Exhibit D dated October 2005

During the Term of the Agreement:

The DOT may, at the DOT's sole discretion, require or permit the Concessionaire to add additional spaces.

If the Concessionaire requests and the DOT, at its sole discretion, agree to make available additional space over and above the spaces initially allocated under the Agreement, the Concessionaire shall pay for such additional space as follows:

- (1) floor rent equal to the square footage of such additional space multiplied by the rates and charges applicable to such additional space as established by the DOT; and

- (2) the gross receipts received or realized by the Concessionaire from or otherwise attributable to such additional space shall be included in the percentage fee obligation payable by the Concessionaire under the Agreement.

If the DOT, at its sole discretion, requires the Concessionaire to take or use additional space over and above the space initially allocated under the Agreement, the Concessionaire shall not be obligated to pay floor rent for such space but shall include the gross receipts received or realized by the Concessionaire from or otherwise attributable to such additional space in the percentage fee obligation payable by the Concessionaire under the Agreement.

ZONING:

State Land Use: Urban
County of Maui: Airport

TAX MAP KEY:

2nd Division - 3-8-01: 19 (Portion) Kahului

LAND STATUS:

Kahului - Section 5(a), Hawaii Admission Act
DHHL 30% entitlement lands: No

TERM:

Five (5) years, commencing on September 1, 2006 and ending on August 31, 2011

CONCESSION FEE:

1. Annual Concession Fee. The total annual Concession Fee shall be the greater of the following:
 - a. Minimum Annual Guaranteed Fee. The minimum annual guaranteed fee for the first year of the term of this Agreement, as set forth in the Concessionaire's Bid Proposal (hereafter the "MAG"), and for each succeeding agreement year the MAG shall be 85% of the actual annual fee paid and payable to the STATE (either MAG or percentage) for the preceding year; or
 - b. Percentage Fee.

- (1) First year. For the first year of the term of this Agreement, twenty percent (20%) of the Concessionaire's annual gross receipts generated from, related or attributable to, or connected with the sale of authorized merchandise.
- (2) Succeeding years. For each succeeding year of the remaining Agreement term, the percentage fee shall be the product of the percentage rate, determined based on the Concessionaire's annual gross receipts for the preceding agreement year in accordance with Table 1 of this Article VI.A.1(Annual Concession Fee) and the Concessionaire's gross receipts for the current agreement year, provided, however the percentage fee shall not be greater than 23% of the Concessionaire's gross receipts and not lower than 17% of the Concessionaire's gross receipts.

TABLE 1 – Annual Gross Receipts/Percentage Rate

Annual Gross Receipts	Percentage Rate
Less than \$4,500,000	17%
\$4,500,000 - \$4,750,000	18%
\$4,750,001 - \$5,200,000	19%
\$5,200,001 - \$5,700,000	20%
\$5,700,001 - \$6,150,000	21%
\$6,150,000 - \$6,400,000	22%
More than \$6,400,000	23%

DBE GOAL:

A DBE minimum participation goal of fifteen percent (15%) will be used to meet the latest DBE regulations of the FAA, U.S. Department of Transportation.

IMPROVEMENTS:

The Concessionaire will be required to invest a minimum total of \$500,000.00 for improvements, certain fixtures and equipment on or within the premises of the spaces assigned under the Agreement in accordance with DOT and county building standards. No less than \$495,000.00 of the minimum total shall be allotted to the Sales space and no less than \$5,000.00 for the Non-Sales area. The DOT may establish separate minimum investment amounts for improvements, store fixtures and equipment applicable to any space added over and above the spaces initially allocated in the Agreement.

BASIS OF AWARD:

The award of the Agreement will be to the highest responsible bidder, based upon the total amount of the MAG bid for the first year of the Agreement, which has also met or exceeded the DBE goal, qualifications and requirements.

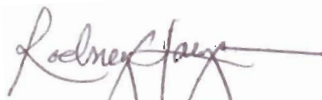
REMARKS:

The Retail Concession is an important revenue source for the DOT's airport system and an amenity that is welcomed by both inter-island and overseas travelers. The new Agreement is a part of DOT's plan to continually improve its concession program and airport terminal operations to enhance the airport experience for travelers.

RECOMMENDATION:

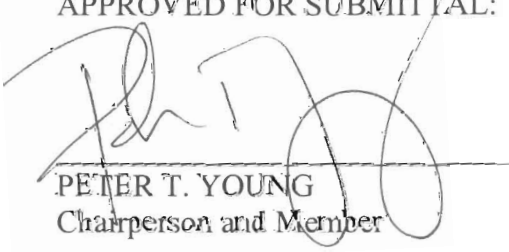
That the Board authorizes the call for sealed bid tenders and issuance of a new Retail Concession subject to: (1) the terms and conditions hereinabove outlined; (2) such other terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State; and (3) the review and approval of the Department of the Attorney General's Office as to the lease form and content.

Respectfully submitted,



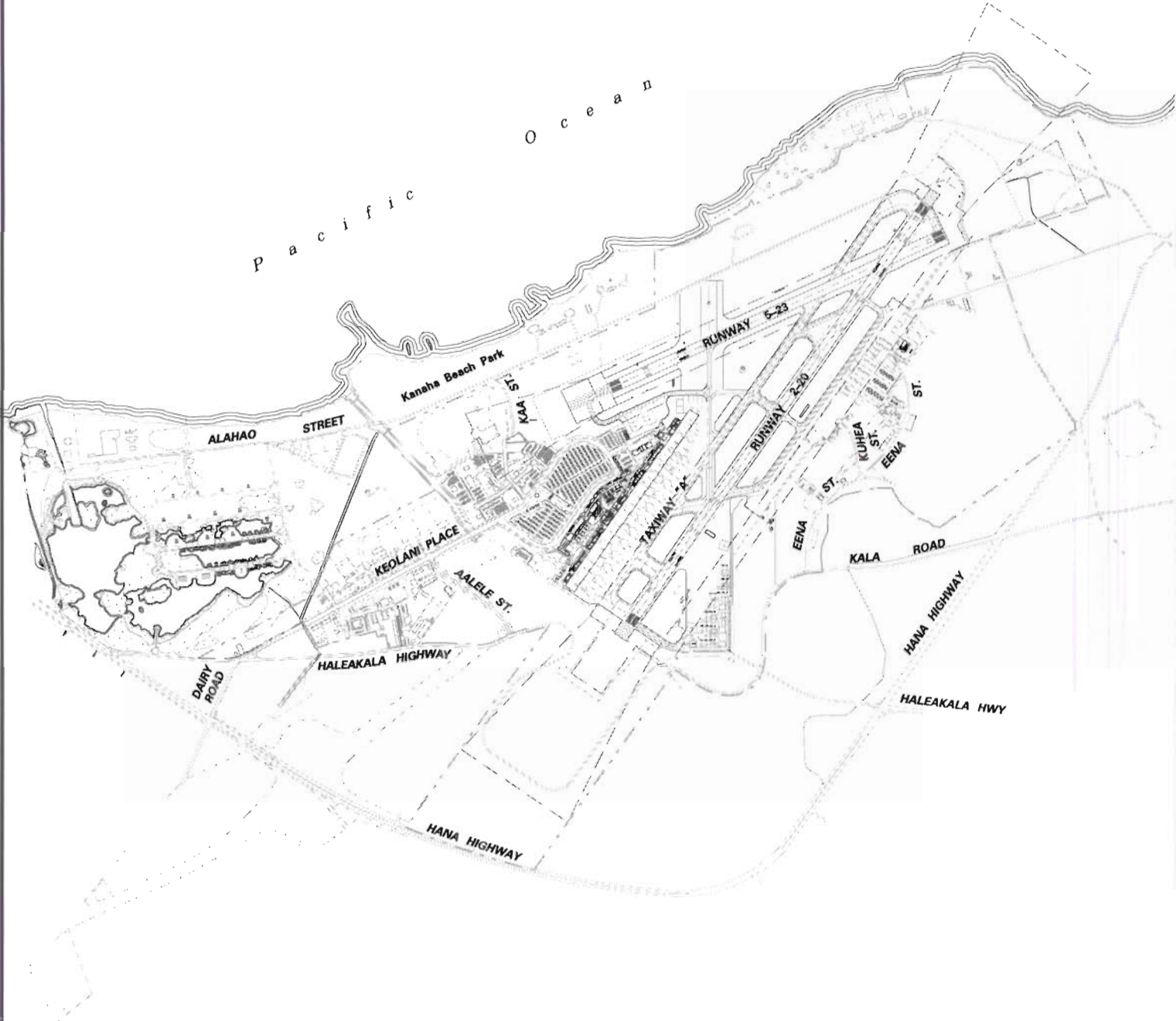
RODNEY K. HARAGA
Director of Transportation

APPROVED FOR SUBMITTAL:



PETER T. YOUNG

Chairperson and Member



SCALE: 1"=2000'

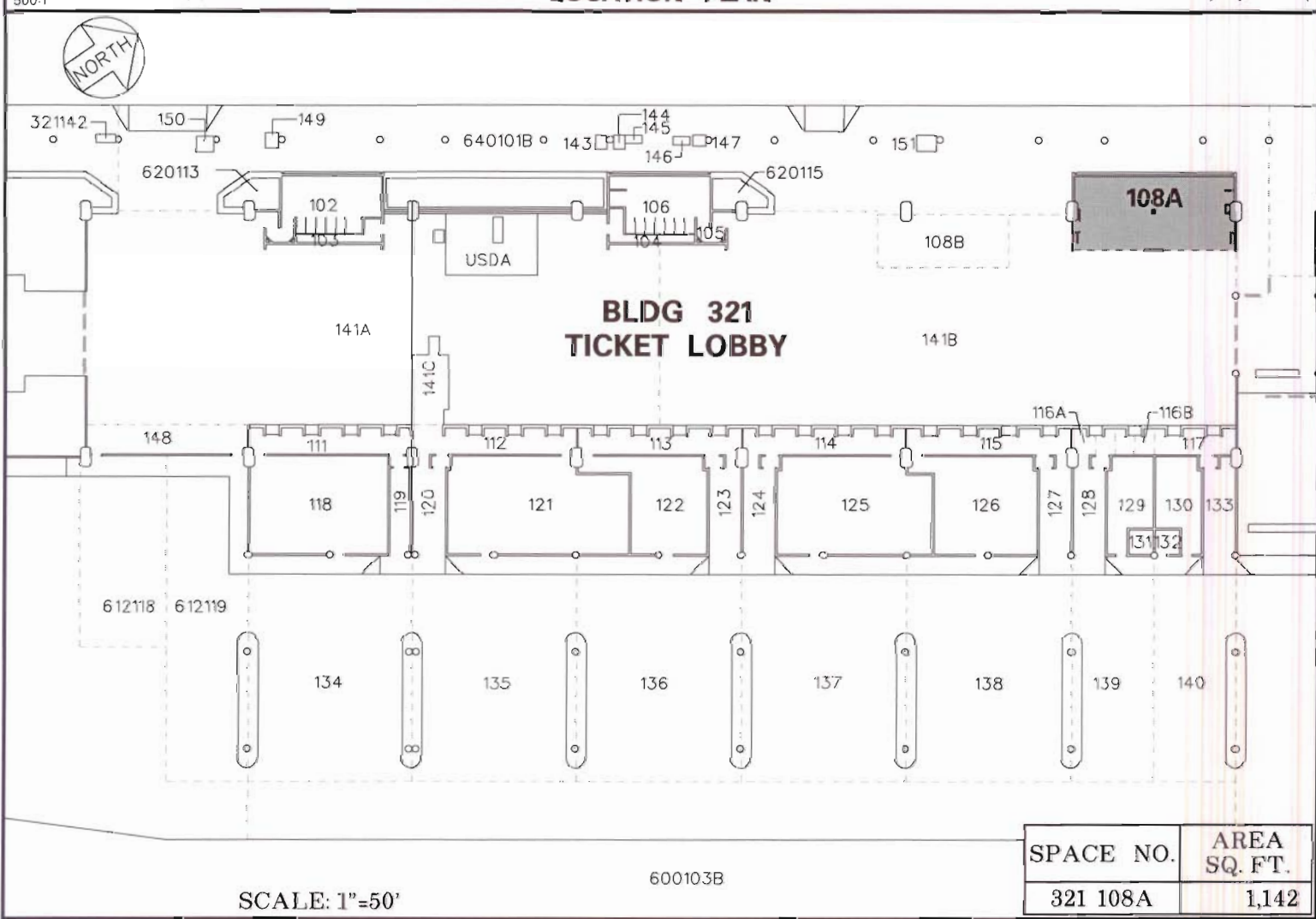
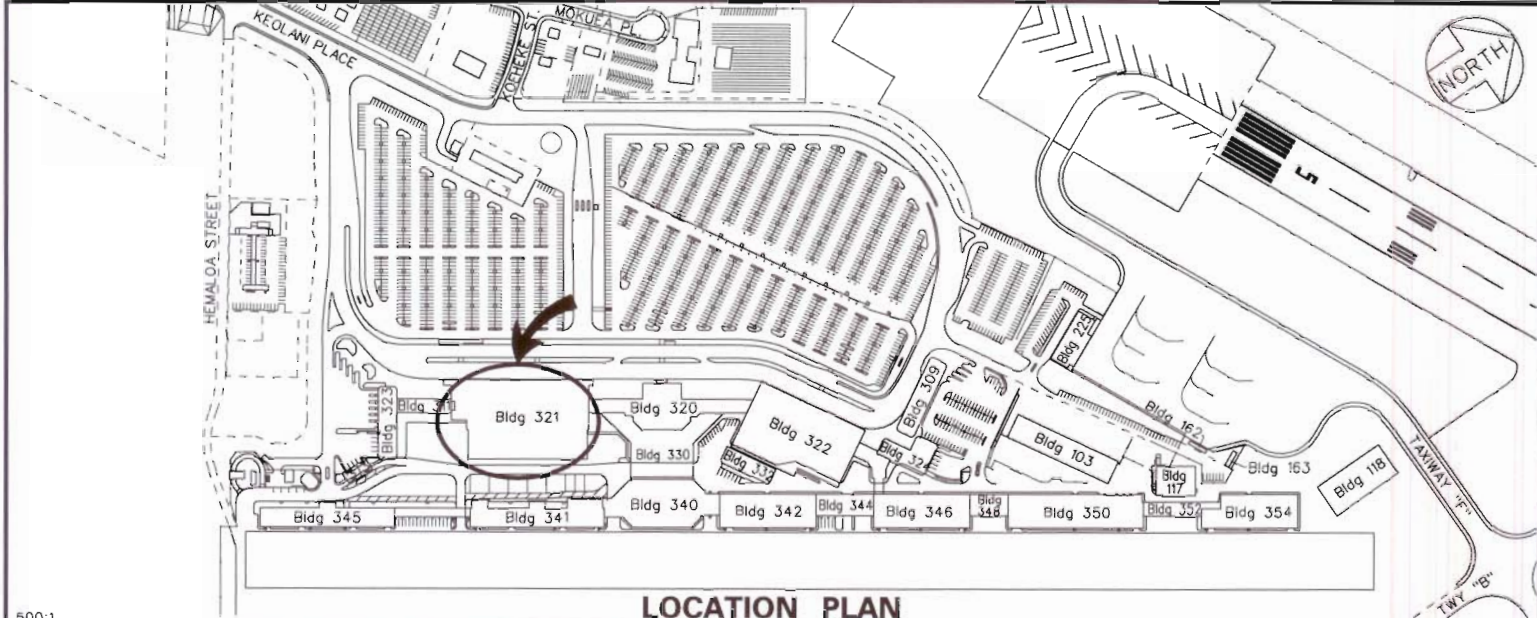
DATE: OCTOBER 2005


EXHIBIT: **A**

 <p>Airports Division</p>	RETAIL CONCESSION	"AIRPORT"	PLAT 01
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KAHULUI AIRPORT

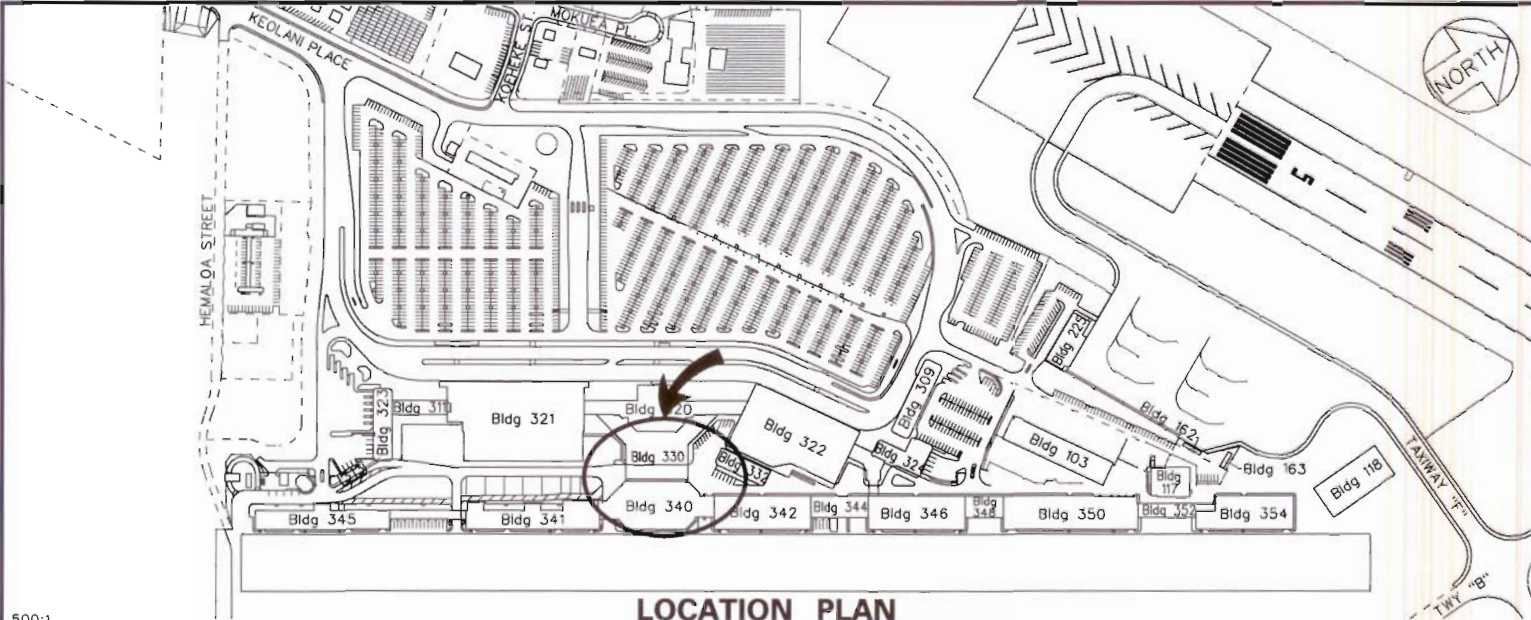
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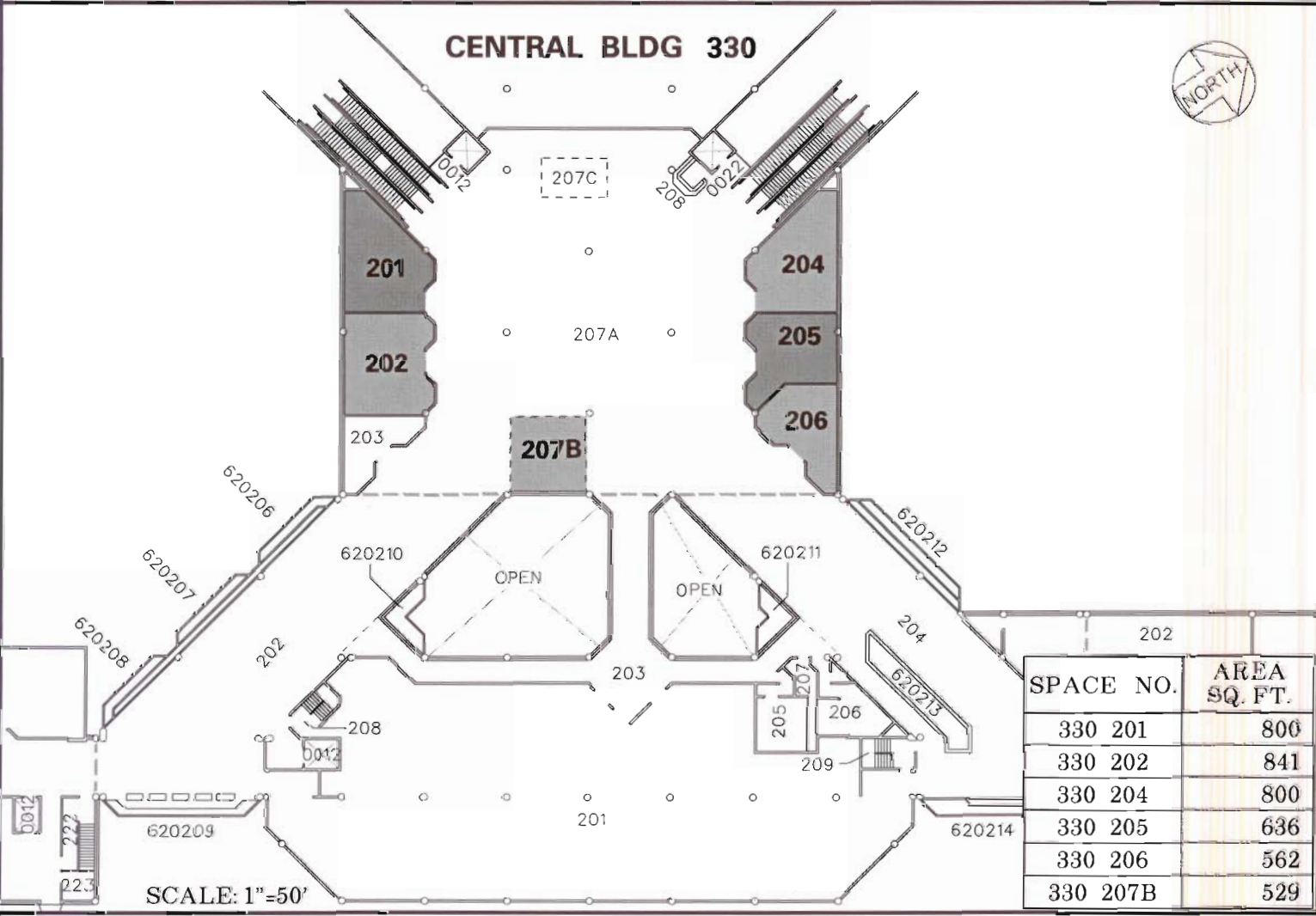
 <p>Airports Division</p>	<p>RETAIL CONCESSION</p>	<p>BLDG 321 TERMINAL BUILDING GROUND LEVEL</p>	<p>321-108A PLATS A1, 35</p>
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KAHULUI AIRPORT


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CENTRAL BLDG 330

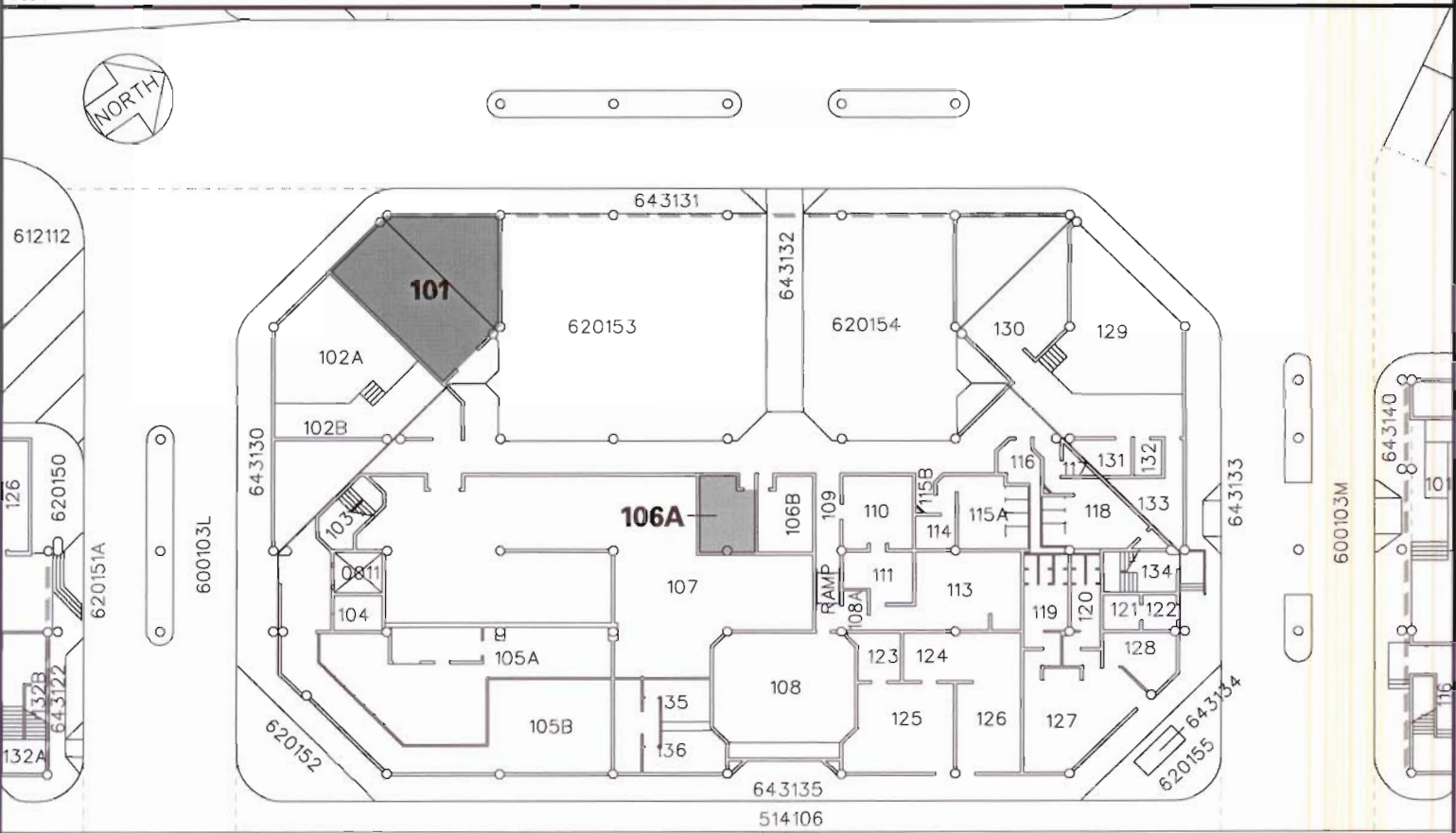


SPACE NO.	AREA SQ. FT.
330 201	800
330 202	841
330 204	800
330 205	636
330 206	562
330 207B	529

DATE: OCTOBER 2005		EXHIBIT: C	
 Airports Division	RETAIL CONCESSION	BLDG 330	330-201
		TERMINAL BUILDING SECOND LEVEL	PLATS A2, 35



LOCATION PLAN



CENTRAL BLDG 340

SPACE NO.	AREA SQ. FT.
340 101	942
340 106A	210

SCALE: 1"=40'

DATE: OCTOBER 2005

EXHIBIT: **D**



RETAIL CONCESSION

BLDG 340
TERMINAL BUILDING
GROUND LEVEL

340-101,
340-106A
PLATS A1,35



**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION**
869 Punchbowl Street
Honolulu, Hawaii 96813

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Deputy Director
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IN REPLY REFER TO:

Board of Land and
Natural Resources
State of Hawaii
Honolulu, Hawaii

CONSENT TO SUBLEASE – LEASE NO. DOT-A-62-0019
UNITED AIR LINES, INC. TO PLEASANT HOLIDAYS LLC
HONOLULU INTERNATIONAL AIRPORT, OAHU
TMK (1) 1-1-3-42 (PORTION)

OAHU

APPLICANT / LESSEE:

United Air Lines, Inc., a Delaware corporation

SUBLESSEE:

Pleasant Holidays LLC

LEGAL REFERENCE:

Section 171-36 (6)(a), Hawaii Revised Statutes

LOCATION AND TAX MAP KEY:

Diamond Head Extension (Building 341), Ground Level, portion of Space No. 341-138B,
Honolulu International Airport, Honolulu, Island of Oahu and identified by Tax Map Key: 1st
Division, 1-1-03: Portion of 42, as shown delineated on the attached map labeled Exhibit A.

AREA:

Portion of Space No. HNL-341-138B, containing an area of approximately 234 square feet.
The subject subleased premises is cross hatched on the attached exhibit.

BLNR – Consent to Sublease
United Airlines, Inc.
to Pleasant Holidays LLC

-2-

ZONING:

State Land Use District: Urban
City and County of Honolulu LUO: Industrial (I-2)

LAND TITLE STATUS:

Section 5(a) lands (“non-ceded”) of the Hawaii Admission Act

DHHL 30% entitlement lands pursuant to the Hawaii State Constitution: YES__ NO X

CURRENT USE STATUS:

Land presently encumbered by Governor’s Executive Order No. 3201 dated June 8, 1983, setting aside 3,152.177 acres designated as Honolulu International Airport under the control and management of the Department of Transportation, Airports Division, State of Hawaii (DOTA) for Airport Purposes.

SUBLEASE CHARACTER OF USE:

Office space for the purpose of airport related business.

LEASE TERM:

Twenty (20) years commencing April 1, 1962 and expiring on July 31, 1982, as extended by five (5) separate agreements to extend the term of the lease from August 1, 1992 to the present as follows:

- 1st extension – 8/1/92 to 12/15/92
- 2nd extension – 12/16/92 to 1/15/93
- 3rd extension – 1/16/93 to 6/30/93
- 4th extension – 7/1/93 to 6/30/94
- 5th extension – 7/1/94 to the present

The term is automatically extended on a quarterly basis (renewed after each three-month period), unless either the DOT or the Signatory Airlines gave the other at least sixty (60) days prior written notice of intent to terminate the lease.

TERM OF SUBLEASE:

Month-to-month with sixty (60) days prior written notice of termination by either party.

BLNR – Consent to Sublease
United Airlines, Inc.
to Pleasant Holidays LLC

-3-

SUBLEASE COMMENCEMENT DATE:

Term commencing on (A) November 1, 2005, or B) Subtenant 's initial entry into the subleased premises for purposes of occupying or preparing the subleased premises for occupancy, whichever occurs earlier, and it shall continue and remain in effect, consistent.

LEASE RENT (ATTRIBUTED TO SUBLEASE AREA):

\$10,062.00 per annum paid in advance in 12 equal monthly installments of \$838.50 on the first day of each calendar month.

SUBLEASE RENT:

\$11,709.36 per annum, paid in advance in 12 equal monthly installments of \$975.78 on the first day of each calendar month (includes annual chilled water air conditioning charge and 15% administrative fee).

CHAPTER 343, HRS - ENVIRONMENTAL ASSESSMENT:

Pursuant to Section 11-200-8(a), Environmental Impact Statement Rules of the Department of Health, State of Hawaii, this disposition is exempt from requirements regarding preparation of an environmental assessment, negative declaration, or environmental impact statement as required by Chapter 343, Hawaii Revised Statutes, as amended, relating to Environmental Impact Statements, because the proposed action falls within Exemption Class #1, Comprehensive Exemption List for the State of Hawaii, Department of Transportation dated November 14, 1990, as approved by the Environmental Quality Council. Exemption Class #1 covers operations, repairs, or maintenance of existing structures, facilities, equipment, or topographical features involving negligible or no expansion or change of use beyond that previously existing.

REMARKS:

The DOTA, as Lessor, and United Air Lines, Inc. (UAL), as Lessee/Sublessor, entered into Lease No. DOT-A-62-0019 (Lease) dated May 21, 1962, which Lease demised certain real property and facilities, and rights to UAL for air transportation purposes at Honolulu International Airport. UAL has made improvements to the premises demised under the Lease at various times.

The Lease's Article XXVIII, relating to Assignment and Subletting prescribes, in part, that: "The Lessee shall not at any time sell, convey, transfer, mortgage, pledge, or assign this Lease, either in whole or in part, nor any of its rights, title, interest or privilege hereunder, nor sublet the demised premises or any part thereof, without the prior written consent of the

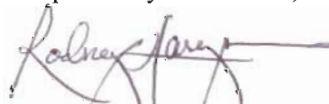
Lessor first had and obtained; provided however, that such consent shall not be unreasonably withheld.”

The Lessee’s Sublease rent in the amount of \$11,709.16 per annum is higher than the Lessor’s Lease rent in the amount of \$10,062.00 (the proportionate share of the total lease rent for the leased premises attributable to the subleased area based on the proportionate subleased area bears to the entire leased premises). However, taking into consideration, the effective income (Sublease rent in the amount of \$11,709.16 less 4.167% general excise tax) less management and vacancy loss, and Lessor’s rent in the amount of \$10,062.00, the annual profit is reduced to a nominal amount of \$37.29.

RECOMMENDATION:

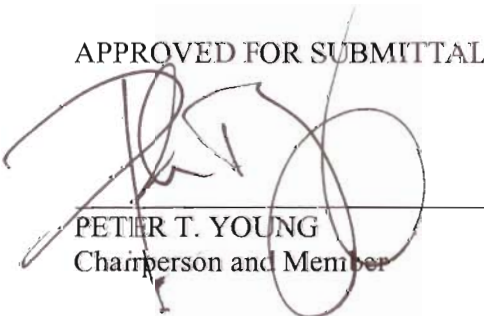
That the Board authorizes the Department of Transportation to approve the Sublease between United Air Lines, Inc., as Sublessor and PLEASANT HOLIDAYS LLC, as Sublessee, as hereinabove outlined, subject to: (1) terms and conditions hereinabove outlined, which are by reference incorporated herein; (2) such terms and conditions as may be prescribed by the Director of Transportation to best serve the interests of the State; and (3) review and approval of the Department of the Attorney General as to the Consent to Sublease form and content.

Respectfully submitted,



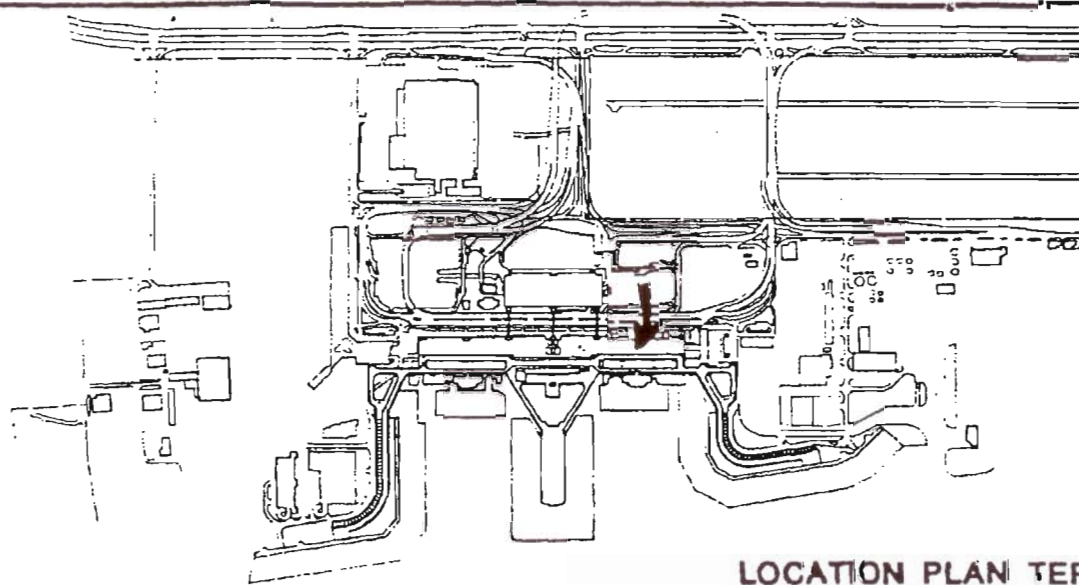
RODNEY K. HARAGA
Director of Transportation

APPROVED FOR SUBMITTAL:

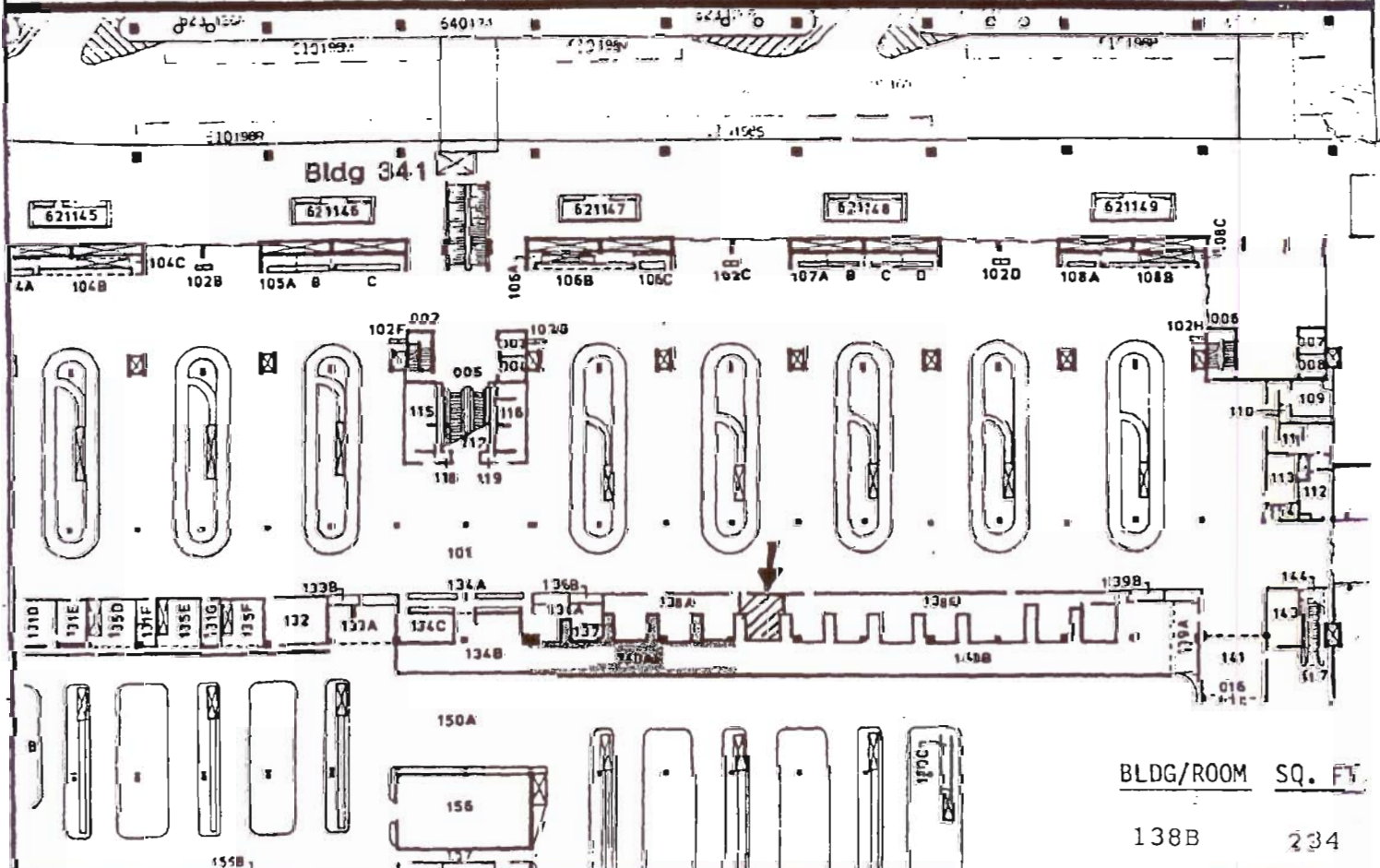


PETER T. YOUNG
Chairperson and Member

EXHIBIT B



LOCATION PLAN TERMINAL AREA



BLDG/ROOM	SQ. FT.
138B	234

UAL-RE. 0278:55



Airports Division
DEPARTMENT OF TRANSPORTATION
STATE OF HAWAII

UNITED AIRLINES, INC.

BLDG 341
GROUND LEVEL

341
PLAT C1

COMPUTATION SHEET

DOT Lease No. 62-0019, United Air Lines, Inc., Sublessor,

Sublease to Pleasant Holidays LLC, Sublessee

Gross Annual Sublease Income (Including general excise tax and common area maintenance charges)	\$11,709.36
Less general excise tax (4.167%)	-487.93

Effective Income	\$11,221.43
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Less Allowances:

Management and vacancy loss (Eff. Inc. x 10%)	\$1,122.14
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Investment return *(Total Inv. X ___ %)

Fixed Expenses*

(e.g. real property taxes, building insurance costs, etc.)

Variable Expenses*

(e.g. roofing, carpeting, sidewalks, driveways, parking areas, etc.)

DOT Lease No. 62-0019 rental
(proportionate share of the total lease rent for the leased premises attributable to the subleased area based on the proportion the subleased area bears to the entire leased premises)

\$10,062.00

Total Allowances:	\$11,184.14
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SANDWICH PROFIT	\$37.29
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*Prorated based on the proportion the leasable area of the subleased premises bears to the total leasable area of the building.